

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

Prepared by the
Finance Department
Jim Ferneau, City Administrator

**CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010
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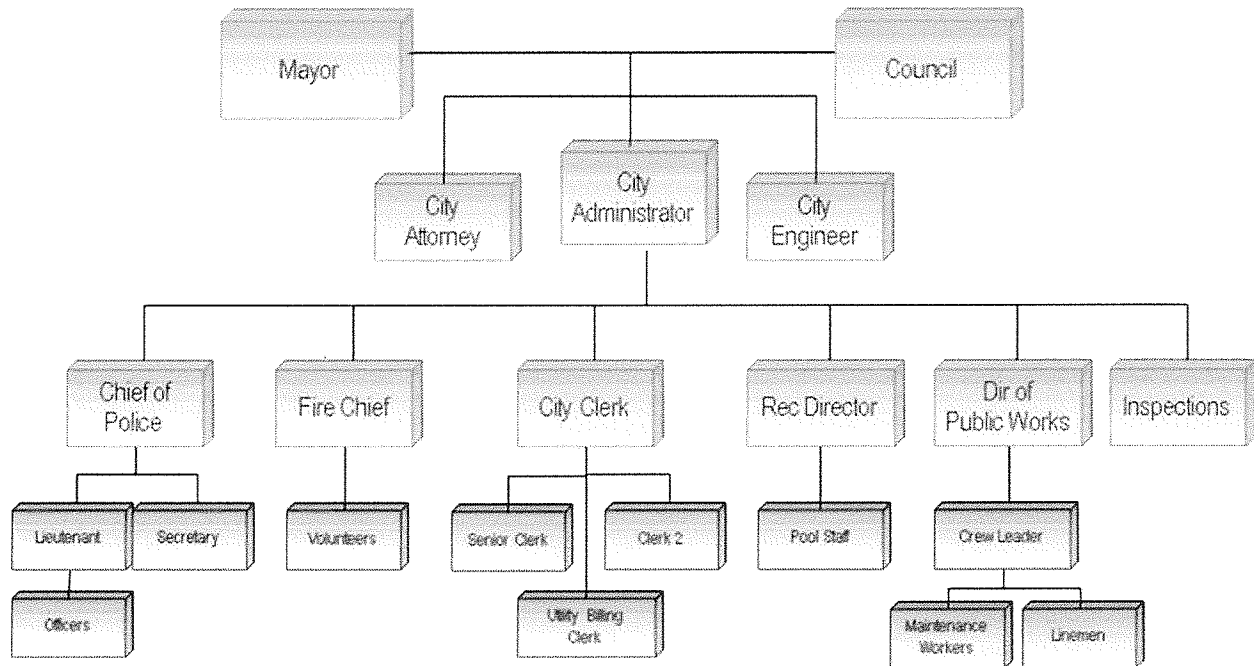
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CITY OF SERGEANT BLUFF, IOWA

Organizational Chart June 30, 2010



CITY OF SERGEANT BLUFF

List of Principal Officials
June 30, 2010

Title	Name
Mayor	Dale Petersen
Council Member and Mayor Pro-Tem	Sid Seward
Council Member	Ron Hanson
Council Member	Larry Kollbaum
Council Member	Don Wood
Council Member	Walt Wendel
City Engineer	Aaron Lincoln
City Attorney	Sarah Kleber
City Administrator	Jim Ferneau
City Clerk/Treasurer	Renee Fangman
Public Works Director	Mark Huntley
Code Enforcement Officer	Cindy Houlihan
Chief of Police	Dave McFarland
Fire Chief	Anthony Gaul
Recreation Director	Brent Brown
Library Director	Leslie Ellerbeck



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report date January 17, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the

management's discussion and analysis and budgetary comparison information on pages 5 through 12 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountants

Le Mars, Iowa
January 17, 2011

Management's Discussion and Analysis

The discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2010 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets of approximately \$33.5 million are divided between Governmental Activities (\$17.2 million) and Business-Type Activities (\$16.3 million). Combined assets exceeded liabilities by approximately \$23 million. Of this amount, approximately \$5.5 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2010, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$3,000,000.
- The unreserved fund balance for the general fund, at the end of the current fiscal year was approximately \$1,136,000. This represents 44 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Assets is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net assets over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, community and

economic development, culture and recreation and debt service. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, local option sales tax, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Solid Waste and Storm Water Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Solid Waste and Storm Water Utilities as all are considered, or have been designated to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-29 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-45 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2009 and 2010:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total City</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 6,756,343	\$ 4,994,406	\$ 4,811,776	\$ 5,117,219	\$ 11,568,119	\$ 10,111,625
Capital assets	<u>10,516,333</u>	<u>12,262,901</u>	<u>9,016,634</u>	<u>11,180,776</u>	<u>19,532,967</u>	<u>23,443,677</u>
Total assets	17,272,676	17,257,307	13,828,410	16,297,995	31,101,086	33,555,302
Long-term debt						
outstanding	6,285,000	5,136,127	1,055,000	2,890,815	7,340,000	8,026,942
Other liabilities	<u>2,411,547</u>	<u>1,909,291</u>	<u>411,521</u>	<u>707,660</u>	<u>2,823,068</u>	<u>2,616,951</u>
Total liabilities	8,696,547	7,045,418	1,466,521	3,598,475	10,163,068	10,643,893
Net assets:						
Invested in capital assets,						
net of related debt	5,706,887	7,586,774	7,961,634	9,104,961	13,668,521	16,691,735
Restricted	1,179,789	1,605,338	-	-	1,179,789	1,605,338
Unrestricted	<u>1,689,453</u>	<u>1,019,777</u>	<u>4,400,255</u>	<u>3,594,559</u>	<u>6,089,708</u>	<u>4,614,336</u>
Total net assets	<u>\$ 8,576,129</u>	<u>\$ 10,211,889</u>	<u>\$ 12,361,889</u>	<u>\$ 12,699,520</u>	<u>\$ 20,938,018</u>	<u>\$ 22,911,409</u>

This summary reflects a 19% increase in governmental activities net assets and an increase of 3% increase in the business-type activities net assets.

Total revenue reported in Fiscal Year 2010 was \$8,453,622. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2009 and 2010.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Program revenues:						
Charges for services	\$ 340,224	\$ 348,188	\$ 4,069,902	\$ 4,131,629	\$ 4,410,126	\$ 4,479,817
Operating grants and contributions	337,866	387,112	-	-	337,866	387,112
Capital Grants and contributions	418,080	1,351,004	129,920	-	548,000	1,351,004
Total program revenues	<u>1,096,170</u>	<u>2,086,304</u>	<u>4,199,822</u>	<u>4,131,629</u>	<u>5,295,992</u>	<u>6,217,933</u>
General revenues and interfund transfers:						
Property taxes	1,554,732	1,712,713	-	-	1,554,732	1,712,713
Local option sales tax	368,402	371,770	-	-	368,402	371,770
Hotel/motel tax	28,743	18,611	-	-	28,743	18,611
Interest	73,422	85,790	6,003	2,234	79,425	88,024
Use of property	-	-	7,717	-	7,717	-
Gain on sale of assets	-	50	-	-	-	50
Miscellaneous	10,178	37,713	12,462	6,808	22,640	44,521
Interfund transfers	<u>504,402</u>	<u>621,286</u>	<u>(504,402)</u>	<u>(621,286)</u>	<u>-</u>	<u>-</u>
Total general revenues and interfund transfers	<u>2,539,879</u>	<u>2,847,933</u>	<u>(478,220)</u>	<u>(612,244)</u>	<u>2,061,659</u>	<u>2,235,609</u>
	<u>\$ 3,636,049</u>	<u>\$ 4,934,237</u>	<u>\$ 3,721,602</u>	<u>\$ 3,519,385</u>	<u>\$ 7,357,651</u>	<u>\$ 8,453,622</u>

Program revenues totaled \$6,217,933 for fiscal year 2010. Governmental activities provided \$2,086,304 and business-type activities provided \$4,131,629. Revenue collected for charges for services during the year was \$4,479,817, accounting for 72 percent of total program revenues.

General revenues and transfers for fiscal year 2010 totaled \$2,235,689, with governmental activities providing \$2,847,933, and business-type activities using \$612,244. Property tax revenues for fiscal year 2010 totaled \$1,712,713, accounting for almost 77 percent of general revenues.

Expenses for fiscal year 2010 totaled \$6,480,231. Expenses for governmental activities totaled \$3,298,477, accounting for 51 percent of total expenses. Business-type activity expenses totaled \$3,181,754, for 49 percent of the total. The following table shows total expenses by Function/Program:

Program Level	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Public safety	\$ 1,071,606	\$ 1,107,547	\$ -	\$ -	\$ 1,071,606	\$ 1,107,547
Public works	804,094	794,775	-	-	804,094	794,775
Health and Social Services	-	2,400	-	-	-	2,400
Culture and recreation	475,012	578,240	-	-	475,012	578,240
Community and economic development	45,421	55,784	-	-	45,421	55,784
General government	312,154	507,912	-	-	312,154	507,912
Debt service	235,980	251,819	-	-	235,980	251,819
Electric utility	-	-	1,928,272	1,867,703	1,928,272	1,867,703
Water utility	-	-	534,223	419,673	534,223	419,673
Sewer utility	-	-	591,353	554,733	591,353	554,733
Solid waste utility	-	-	275,557	276,284	275,557	276,284
Storm water utility	-	-	22,829	63,361	22,829	63,361
Total expenses	<u>\$ 2,944,267</u>	<u>\$ 3,298,477</u>	<u>\$ 3,352,234</u>	<u>\$ 3,181,754</u>	<u>\$ 6,296,501</u>	<u>\$ 6,480,231</u>

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$1,107,547 for Public Safety and received \$213,743 in revenue, leaving a cost to taxpayers of \$893,804 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$3,298,477. Of these costs, \$348,188 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$1,738,116, leaving a Net Expense of \$1,212,173 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2009</u>	<u>2010</u>
Governmental activities:		
Public safety	\$ (860,265)	\$ (893,804)
Public works	(50,337)	898,971
Health and Social Services	-	(2,400)
Culture and recreation	(386,242)	(458,519)
Community and economic development	(37,557)	(30,051)
General government	(277,716)	(474,551)
Debt service	<u>(235,980)</u>	<u>(251,819)</u>
Total net (expense) governmental activities	(1,848,097)	(1,212,173)
General revenues and interfund transfers	<u>2,539,879</u>	<u>2,847,933</u>
Change in net assets	<u>\$ 691,782</u>	<u>\$ 1,635,760</u>

Total resources available during the year to finance governmental operations were \$13,510,366, consisting of net assets at July 1, 2009 of \$8,576,129, program revenues of \$2,086,304 and general revenues and transfers of \$2,847,933. Total governmental activities during the year expended \$3,298,477; thus, net assets were increased by \$1,635,760 to \$10,211,889.

Business-Type Activities

Business-type activities increased the City's net assets by \$337,631, accounting for 17 percent of the growth in the City's net assets.

The cost of all proprietary activities this year was \$3,181,754. As shown in the Statement of Activities, program revenue was \$4,131,629, resulting in a total Net Revenue of \$949,875.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2009</u>	<u>2010</u>
Electric utility	\$ 399,306	\$ 510,196
Water utility	169,513	252,761
Sewer utility	242,910	167,754
Solid waste utility	(22,002)	(11,430)
Storm water utility	<u>57,861</u>	<u>30,594</u>
Total net revenue business-type activities	847,588	949,875
General revenues and interfund transfers	<u>(478,220)</u>	<u>(612,244)</u>
Change in net assets	<u>\$ 369,368</u>	<u>\$ 337,631</u>

Total resources available during the year to finance proprietary fund activities were \$15,881,274 consisting of net assets at July 1, 2009, of \$12,361,889, program revenues of \$4,131,629, and general revenues and transfers of \$(612,244). Total proprietary fund activities during the year expended \$3,181,754 thus, net assets were increased by \$337,631 to \$12,699,520.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as

a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances \$3,002,311. The combined Governmental Funds balance decreased \$1,145,828 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues and transfers exceeded expenditures in the General Fund by \$71,813. Debt Service expenditures exceeded revenues and other sources by \$657,276. This change is the result of retiring crossover refunded debt in 2010.

The Capital Project Fund is used to account for general governmental capital improvements. During 2010 the City expended \$1.8 million on various capital projects, primarily First Street and South Lewis Boulevard reconstruction. This project is being financed with government grants and general obligation debt.

BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2010 original (adopted) citywide amount of \$17,264,469 to the final budget amount of \$17,624,469 shows a net increase of \$360,000.

The following table shows the budget variances by program structure:

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,302,344	\$ 1,390,826	\$ (88,482)
Public Works	474,735	436,996	37,739
Health and Social Services	3,000	2,400	600
Culture and Recreation	497,410	487,909	9,501
Community and Economic Development	64,840	55,457	9,383
General Government	593,010	466,235	126,775
Debt Service	888,809	1,836,444	(947,635)
Capital Projects	8,105,000	4,048,770	4,056,230
Business-Type/Enterprise	<u>5,695,321</u>	<u>3,748,697</u>	<u>1,946,624</u>
	<u>\$17,624,469</u>	<u>\$12,473,739</u>	<u>\$ 5,150,735</u>

See pages 49-51 for more detail information regarding the City's budget.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2010, was \$23,443,677, (net of accumulated depreciation). This is an increase of \$3,775,156 from fiscal year 2009. The gross additions to capital assets for fiscal years 2009 and 2010 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ -	\$ 203,113	\$ -	\$ 220,635	\$ -	\$ 423,748
Infrastructure	653,729	1,304,570	-	-	653,729	1,304,570
Buildings	-	-	387,156	-	387,156	-
Distribution system	-	-	771,705	3,756	771,705	3,756
Equipment	328,396	646,441	237,353	211,309	565,749	857,750
Construction in progress	<u>1,334,387</u>	<u>-</u>	<u>642,891</u>	<u>2,092,045</u>	<u>1,977,278</u>	<u>2,092,045</u>
Total	<u>\$ 2,316,512</u>	<u>\$ 2,154,124</u>	<u>\$2,039,105</u>	<u>\$ 2,527,745</u>	<u>\$4,355,617</u>	<u>\$ 4,681,869</u>

Construction in progress consisted of costs associated with road construction projects, the water treatment plant, #5 lift station, and storm water drainage.

See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

On June 30, 2010 the City had \$6,680,000 of general obligation debt outstanding. This is a decrease of \$660,000 from the prior year. \$1,550,000 of new debt was issued and \$2,210,000 of existing debt was retired.

In addition the City drew \$1,346,942 on a possible \$5,989,000 state revolving loan fund for water system improvements.

See Note 5 to the financial statements for more information on the City's long-term debt.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to report slowing yet steady residential and commercial growth, with residential property encompassing 67% (taxable value) of the property tax base and commercial 30% of the property tax base. Per capita property value is over \$55,000, which represents a fairly strong number. The property tax base has increased, on average, about 6.9% annually over the past 5 years with growth rates reducing to 5.9% in FY 2011 and 4.1% in FY 2012.

This steady growth has allowed the City to maintain its high level of service at a reasonable property tax rate. The sales tax portion of the City's revenue base has also continued to remain steady during a time when other communities have struggled. The City has budgeted for use of the General Fund balance in past years, but is currently in a period of budgets that are either balanced or reflect a cash surplus. The General Fund balance, as a result, has increased to 45% of expenditures during the 2010 year. Efforts have been taken in future planning (fiscal years 2011 and 2012) to use excess capital in the General Fund balance to fund one-time capital projects in a process to bring the General Fund balance closer to a 30% of expenditure level in future years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

FINANCIAL STATEMENTS

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,633,142	\$ 1,057,412	\$ 2,690,554
Investments	514,332	2,899,825	3,414,157
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	451,780	451,780
Taxes	16,372	-	16,372
Subsequent Year Taxes	1,719,227	-	1,719,227
Estimated Unbilled Usage	-	104,684	104,684
Internal Balances	410,561	(410,561)	-
Due from Other Governmental Agencies	161,842	-	161,842
Inventories	-	225,107	225,107
Prepaid Assets	29,270	45,279	74,549
Restricted Assets:			
Investments	399,854	710,851	1,110,705
Bond Issue Costs	109,806	32,842	142,648
Land	393,609	283,410	677,019
Construction in Progress	312,998	2,189,610	2,502,608
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,556,294	8,707,756	20,264,050
Total Assets	17,257,307	16,297,995	33,555,302
LIABILITIES			
Accounts Payable	118,593	635,573	754,166
Accrued Wages and Related Taxes	14,294	4,579	18,873
Accrued Expenses	905	4,127	5,032
Accrued Interest Payable	13,581	4,094	17,675
Customer Deposits	-	38,186	38,186
Deferred Revenue - Subsequent Year Taxes	1,719,227	-	1,719,227
Noncurrent Liabilities:			
Due within one year:			
General Obligation Bonds	859,750	850,250	1,710,000
Compensated Absences and Benefits	39,238	21,101	60,339
Due in more than one year:			
Revenue Bonds	-	1,346,942	1,346,942
General Obligation Bonds	4,276,377	693,623	4,970,000
Net OPEB Liability	3,453	-	3,453
Total Liabilities	7,045,418	3,598,475	10,643,893
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,586,774	9,104,961	16,691,735
Restricted for:			
Debt Service	359,932	-	359,932
Specific Revenues	1,245,406	-	1,245,406
Unrestricted	1,019,777	3,594,559	4,614,336
Total Net Assets	\$ 10,211,889	\$ 12,699,520	\$ 22,911,409

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,107,547	\$ 123,603	\$ 52,130	\$ 38,010
Public Works	794,775	71,703	309,049	1,312,994
Health and Social Services	2,400	-	-	-
Culture and Recreation	578,240	119,521	200	-
Community and Economic Development	55,784	-	25,733	-
General Government	507,912	33,361	-	-
Debt Service	251,819	-	-	-
Total governmental activities	3,298,477	348,188	387,112	1,351,004
Business-Type Activities:				
Electric Utility	1,867,703	2,377,899	-	-
Water Utility	419,673	672,434	-	-
Sewer Utility	554,733	722,487	-	-
Solid Waste Utility	276,284	264,854	-	-
Storm Water Utility	63,361	93,955	-	-
Total Business-Type Activities:	3,181,754	4,131,629	-	-
Total Primary Government	\$ 6,480,231	\$ 4,479,817	\$ 387,112	\$ 1,351,004

General Revenues:

Property taxes, levied for general purposes
Property taxes, levied for tax increment financing debt
Property taxes, levied for employee benefits
Property taxes, levied for debt service
Local option sales tax
Hotel/Motel Taxes
Interest
Gain on Sale of Assets
Sale of non-capitalized Assets
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (893,804)	\$ -	\$ (893,804)
898,971	-	898,971
(2,400)	-	(2,400)
(458,519)	-	(458,519)
(30,051)	-	(30,051)
(474,551)	-	(474,551)
(251,819)	-	(251,819)
(1,212,173)	-	(1,212,173)
-	510,196	510,196
-	252,761	252,761
-	167,754	167,754
-	(11,430)	(11,430)
-	30,594	30,594
-	949,875	949,875
(1,212,173)	949,875	(262,298)
997,781	-	997,781
87,956	-	87,956
295,686	-	295,686
331,290	-	331,290
371,770	-	371,770
18,611	-	18,611
85,790	2,234	88,024
50	-	50
2,115	-	2,115
35,598	6,808	42,406
621,286	(621,286)	-
2,847,933	(612,244)	2,235,689
1,635,760	337,631	1,973,391
8,576,129	12,361,889	20,938,018
\$ 10,211,889	\$ 12,699,520	\$ 22,911,409

See Accompanying Note to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2010

	General	Debt Service
Assets		
Cash and Pooled Investments	\$ 33,330	\$ 319,042
Investments	514,332	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Taxes	7,939	2,850
Subsequent Year Taxes	1,020,935	343,471
Due from Other Funds	632,507	279,504
Due from Other Governmental Agencies	-	-
Restricted Assets:		
Investments	-	399,854
Total Assets	<u>2,209,043</u>	<u>1,344,721</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	36,263	-
Accrued Wages	14,294	-
Accrued Expenses	905	-
Due to Other Funds	-	167,737
Deferred Revenue - Subsequent Year Taxes	1,020,935	343,471
Total Liabilities	<u>1,072,397</u>	<u>511,208</u>
Fund Balances:		
Reserved for:		
Debt Service	-	833,513
Unreserved		
General fund	1,136,646	-
Special revenue funds	-	-
Capital projects funds	-	-
Total Fund Balances	<u>1,136,646</u>	<u>833,513</u>
Total Liabilities and Equity	<u>\$ 2,209,043</u>	<u>\$ 1,344,721</u>

See Accompanying Notes to Financial Statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 10,275	\$ 1,270,495	\$ 1,633,142
-	-	514,332
-	5,583	16,372
-	354,821	1,719,227
-	-	912,011
47,031	114,811	161,842
-	-	399,854
57,306	1,745,710	5,356,780

82,330	-	118,593
-	-	14,294
-	-	905
319,120	14,593	501,450
-	354,821	1,719,227
401,450	369,414	2,354,469

-	-	833,513
-	-	1,136,646
-	1,376,296	1,376,296
(344,144)	-	(344,144)
(344,144)	1,376,296	3,002,311
\$ 57,306	\$ 1,745,710	\$ 5,356,780

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balance - Governmental Funds (page 17) \$ 3,002,311

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds 12,262,901

Accrued expenses from the balance sheet that require current financial resources for governmental activities (13,581)

Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources 109,806

Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources 29,270

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	\$ (39,238)	
General Obligations Bonds	(5,136,127)	
Net OPEB Liability	<u>(3,453)</u>	(5,178,818)

Total Net Assets - Governmental Activities (page 13) \$ 10,211,889

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2010

	General	Debt Service
Revenue:		
Taxes	\$ 997,781	\$ 331,290
Tax increment financing	-	-
Other city taxes	18,611	-
Special Assessments	-	-
Licenses and Permits	19,186	-
Intergovernmental Revenue	65,166	-
Charges for Services	133,708	-
Fines and Forfeits	19,147	-
Contributions	25,933	-
Refunds/Reimbursements	67,733	-
Rental Income	27,410	-
Proceeds from Sale of Assets	2,165	-
Interest	74,185	9,118
Miscellaneous	35,148	-
Total Revenue	1,486,173	340,408
Expenditures:		
Public Safety	1,117,945	-
Public Works	428,516	-
Health and Social Services	2,400	-
Culture and Recreation	463,002	-
Community and Economic Development	55,457	-
General Government	481,894	-
Capital Projects	-	-
Debt Service	-	1,436,444
Total Expenditures	2,549,214	1,436,444
Excess (deficiency) of revenues over expenditures	(1,063,041)	(1,096,036)
Other financing sources (uses):		
Proceeds from Debt Financing		404,201
Payments on Refunded Bonds	-	(400,000)
Transfers In	1,134,854	434,559
Transfers Out	-	-
Total other financing sources (uses)	1,134,854	438,760
Net Change in Fund Balance	71,813	(657,276)
Fund balances - beginning of year	1,064,833	1,490,789
Fund balances (deficits) - end of year	\$ 1,136,646	\$ 833,513

See Accompanying Notes to Financial Statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 295,686	\$ 1,624,757
-	87,956	87,956
-	371,770	390,381
3,970	-	3,970
-	-	19,186
1,262,742	379,045	1,706,953
-	72,152	205,860
-	-	19,147
-	5,230	31,163
-	-	67,733
-	-	27,410
-	-	2,165
-	2,487	85,790
-	5,332	40,480
1,266,712	1,219,658	4,312,951
-	268,137	1,386,082
-	-	428,516
-	-	2,400
-	-	463,002
-	-	55,457
-	-	481,894
1,830,471	-	1,830,471
-	-	1,836,444
1,830,471	268,137	6,484,266
(563,759)	951,521	(2,171,315)
-	-	404,201
29,098	4,896	1,603,407
(63,016)	(919,105)	(982,121)
(33,918)	(914,209)	1,025,487
(597,677)	37,312	(1,145,828)
253,533	1,338,984	4,148,139
\$ (344,144)	\$ 1,376,296	\$ 3,002,311

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds (page 20) \$ (1,145,828)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,331,569	
Depreciation expense	<u>(720,555)</u>	1,611,014

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources		6,248
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Accrued interest payable that does not require current financial resources		19,660
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		(12,645)
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Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources.		(3,453)
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The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(821,127)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities		
Bond issuance costs	22,028	
Amortization of deferred charges	<u>(10,137)</u>	11,891

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		<u>1,970,000</u>
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Change in net assets of governmental activities (page 15)		<u><u>\$ 1,635,760</u></u>
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CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2010

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 580,293	\$ 75,078
Investments	2,392,089	496,528
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	263,779	62,264
Estimated Unbilled Usage	64,442	16,923
Advances to Other Funds	933,333	-
Due from Other Funds	-	22,102
Inventories	223,244	1,863
Prepaid Assets	15,219	15,219
Restricted Assets:		
Investments	-	-
Total current assets	<u>4,472,399</u>	<u>689,977</u>
Non-current assets:		
Bond Issue Costs	-	1,559
Land	-	231,820
Construction in Progress	34,892	2,136,244
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>1,025,126</u>	<u>3,251,009</u>
Total non-current assets	<u>1,060,018</u>	<u>5,620,632</u>
Total Assets	<u>5,532,417</u>	<u>6,310,609</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	193,055	406,869
Customer Deposits	29,853	8,333
Accrued Wages	2,438	1,045
Accrued Expenses	1,798	2,066
Accrued Compensated Absences	9,033	6,034
Accrued Interest Payable	-	-
Due to Other Funds	-	437,313
Advance from Other Funds	-	-
General Obligation Bonds Payable	-	-
Total current liabilities	<u>236,177</u>	<u>861,660</u>
Noncurrent Liabilities:		
Due in more than one year:		
Notes Payable	-	1,346,942
General Obligation Bonds	-	-
Total non-current liabilities	<u>-</u>	<u>1,346,942</u>
Total Liabilities	<u>236,177</u>	<u>2,208,602</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,060,018	4,272,131
Unrestricted	4,236,222	(170,124)
Total Net Assets	<u>\$ 5,296,240</u>	<u>\$ 4,102,007</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Nonmajor Enterprise Funds	Total
\$ 155,779	\$ 246,262	\$ 1,057,412
11,208	-	2,899,825
82,382	43,355	451,780
15,525	7,794	104,684
-	-	933,333
145,635	-	167,737
-	-	225,107
14,841	-	45,279
710,851	-	710,851
1,136,221	297,411	6,596,008
31,283	-	32,842
51,590	-	283,410
-	18,474	2,189,610
4,315,240	116,381	8,707,756
4,398,113	134,855	11,213,618
5,534,334	432,266	17,809,626
16,862	18,787	635,573
-	-	38,186
786	310	4,579
263	-	4,127
5,231	803	21,101
4,094	-	4,094
134,485	6,500	578,298
933,333	-	933,333
850,250	-	850,250
1,945,304	26,400	3,069,541
-	-	1,346,942
693,623	-	693,623
693,623	-	2,040,565
2,638,927	26,400	5,110,106
3,637,957	134,855	9,104,961
(742,550)	271,011	3,594,559
\$ 2,895,407	\$ 405,866	\$ 12,699,520

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 2,377,899	\$ 672,434
Total Operating Revenue	<u>2,377,899</u>	<u>672,434</u>
Operating Expenses:		
Cost of Service	1,788,675	318,610
Depreciation	79,028	82,856
Amortization	-	382
Total Operating Expenses	<u>1,867,703</u>	<u>401,848</u>
Operating Income	510,196	270,586
Non-Operating Income (Expense):		
Interest Income	1,750	345
Other Non-operating Revenues	3,538	2,220
Interest Expense	-	(17,825)
Total Non-Operating Income (Expenses)	<u>5,288</u>	<u>(15,260)</u>
Income before Transfers and Contributions	515,484	255,326
Transfers Out	<u>(260,000)</u>	<u>(184,919)</u>
Change in Net Assets	255,484	70,407
Net Assets - Beginning	<u>5,040,756</u>	<u>4,031,600</u>
Net Assets - Ending	<u>\$ 5,296,240</u>	<u>\$ 4,102,007</u>

Business Type Activities		
Sewer Utility	Nonmajor Enterprise Funds	Total
\$ 722,487	\$ 358,809	\$ 4,131,629
722,487	358,809	4,131,629
371,614	334,329	2,813,228
145,187	5,316	312,387
2,227	-	2,609
519,028	339,645	3,128,224
203,459	19,164	1,003,405
139	-	2,234
826	224	6,808
(35,705)	-	(53,530)
(34,740)	224	(44,488)
168,719	19,388	958,917
(172,285)	(4,082)	(621,286)
(3,566)	15,306	337,631
2,898,973	390,560	12,361,889
\$ 2,895,407	\$ 405,866	\$ 12,699,520

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,359,395	\$ 670,645
Cash Paid to Suppliers for Goods and Services	(1,539,022)	(192,454)
Cash Paid to Employees for Services	(296,717)	(143,634)
Other Receipts	3,538	2,220
Net Cash Provided by Operating Activities	<u>527,194</u>	<u>336,777</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(159,272)	(1,885,042)
Proceeds from Note Payable	-	1,346,942
Principal Paid on Notes and Bonds	-	(140,000)
Interest & Bond Costs Paid	-	(18,031)
Net Cash (Used) by Capital and Related Financing Activities	<u>(159,272)</u>	<u>(696,131)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(260,000)	(184,919)
Due to Other Funds	68,629	311,432
Due from Other Funds	(7,643)	(17,081)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(199,014)</u>	<u>109,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(417,089)	-
Proceeds from Sale of Investment Securities	-	324,655
Interest and Dividends on Investments	1,750	345
Net Cash Provided (Used) for Investing Activities	<u>(415,339)</u>	<u>325,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(246,431)	75,078
Cash and Cash Equivalents at Beginning of Year	<u>826,724</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 580,293</u>	<u>\$ 75,078</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Nonmajor Enterprise Utilities	Total
\$ 725,482	\$ 355,080	\$ 4,110,602
(262,519)	(313,246)	(2,307,241)
(116,317)	(19,512)	(576,180)
826	224	6,808
<u>347,472</u>	<u>22,546</u>	<u>1,233,989</u>
(10,459)	(15,707)	(2,070,480)
710,990	-	2,057,932
(100,000)	-	(240,000)
(34,485)	-	(52,516)
<u>566,046</u>	<u>(15,707)</u>	<u>(305,064)</u>
(172,285)	(4,082)	(621,286)
(65,116)	-	314,945
(145,128)	6,500	(163,352)
<u>(382,529)</u>	<u>2,418</u>	<u>(469,693)</u>
(711,129)	-	(1,128,218)
-	-	324,655
139	-	2,234
<u>(710,990)</u>	<u>-</u>	<u>(801,329)</u>
(180,001)	9,257	(342,097)
<u>335,780</u>	<u>237,005</u>	<u>1,399,509</u>
<u>\$ 155,779</u>	<u>\$ 246,262</u>	<u>\$ 1,057,412</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS - (Continued)
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 510,196	\$ 270,586
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	79,028	82,856
Amortization	-	382
Miscellaneous Non-Operating Income	3,538	2,220
(Increase) Decrease in Assets:		
Accounts Receivable	(13,942)	(649)
Estimated Unbilled Usage	(4,562)	(1,140)
Prepays	(3,708)	(3,708)
Inventories	46,340	5,137
Increase (Decrease) in Liabilities		
Accounts Payable	(79,790)	(26,988)
Accrued Wages and Compensated Absences	(2,798)	(2,318)
Accrued Expenses	1,798	2,066
Customer Deposits	(8,906)	8,333
Total Adjustments	16,998	66,191
Net Cash Provided by Operating Activities	527,194	336,777
Cash Reconciliation:		
Unrestricted cash	580,293	75,078
	\$ 580,293	\$ 75,078

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Nonmajor Enterprise Utilities	Total
<u>\$ 203,459</u>	<u>\$ 19,164</u>	<u>\$ 1,003,405</u>
145,187	5,316	312,387
2,227	-	2,609
826	224	6,808
2,377	(3,689)	(15,903)
618	(41)	(5,125)
(3,329)	-	(10,745)
-	-	51,477
(1,748)	459	(108,067)
(2,408)	1,113	(6,411)
263	-	4,127
-	-	(573)
<u>144,013</u>	<u>3,382</u>	<u>230,584</u>
<u>347,472</u>	<u>22,546</u>	<u>1,233,989</u>
155,779	246,262	1,057,412
<u>\$ 155,779</u>	<u>\$ 246,262</u>	<u>\$ 1,057,412</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
JUNE 30, 2010

ASSETS

Cash and Pooled Investments	\$	<u>6,869</u>
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LIABILITIES

Accounts Payable		<u>6,869</u>
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NET ASSETS

Unrestricted		-
Total Net Assets	\$	<u><u>-</u></u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government elected on a nonpartisan basis with an appointed administrator and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, human development, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Sergeant Bluff, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County E-911 Services Board and Woodbury County Conference Board.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues,

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 3) Capital Project Funds – The Capital Project Fund is used to account for the construction of major capital improvements and infrastructure financed by transfer from other funds and bond issues.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Electric Fund is used to account for the operation and maintenance of the City's electrical system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account for employees.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did exceed the amounts budgeted for the public safety and debt service classes of disbursements.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

Consist of certificates of deposit with original maturities of more than three months and perfected repurchase agreement. The City reports certificates of deposit and perfected repurchase agreements at cost.

3) Restricted Investments

Consist of state and local government securities that are held in an escrow account for future refunding of outstanding general obligation bonds. The City reports the SLG securities at cost.

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased and are immaterial and not recorded on the current financial statements.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

K. Property and Equipment

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Land Improvements	20 – 50 Years
Machinery & Equipment	5 - 20 Years
Infrastructure	20 – 100 Years

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

N. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

O. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

P. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2010, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2010.

At June 30, 2010 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	<u>Fair Value</u>
Certificates of deposits	\$ 37,860
Repurchase agreements	3,376,331
Restricted Investments – SLG Securities	1,110,705
	<u>\$ 4,524,896</u>

The City's \$3,376,331 investment in repurchase agreements is held in the name of the City and underlying securities (totaling \$4,285,000) are held by an authorized custodian of the City.

The City's \$1,110,705 in restricted investments are state and local governmental series securities. These securities are held in an escrow account for the future refunding of outstanding General Obligation Bonds.

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City. The City manages its exposure to declines in the fair value of its investments by limiting maturities to less than one year.

The City's investments consist of certificates of deposits, repurchase agreements, and state and local governmental series securities with the latest maturity extending to June 12, 2011.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Custodial Risk: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in possession of the outside party. Of the City's investments at June 30, 2010, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 3 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation Grant Funding	\$ 47,031
Due from the State of Iowa for local option sales taxes	60,577
Due from the Iowa Department of Transportation for road use tax allocations	18,487
Due from the State of Iowa for I-JOBS funding	35,747
Total Due from Other Governments	<u>\$ 161,842</u>

As of June 30, 2010, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 14,593
General	Proprietary – Water	292,294
General	Capital Projects	319,120
General	Proprietary –Storm Sewer	6,500
Proprietary – Sewer	Debt Service	145,635
Proprietary – Water	Debt Service	22,102
Debt Service	Proprietary – Water	145,019
Debt Service	Proprietary – Sewer	134,485

As of June 30, 2010, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary - Electric	Proprietary – Sewer	\$ 933,333

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,609	\$ -	\$ -	\$ 393,609
Construction in Progress	1,432,892	1,820,681	2,940,575	312,998
Total capital assets not being depreciated	1,826,501	1,820,681	2,940,575	706,607
Capital assets being depreciated:				
Buildings and Improvements	1,980,927	-	-	1,980,927
Equipment	2,750,082	646,441	1,427	3,395,096
Land Improvements	1,640,091	203,113	-	1,843,204
Infrastructure	11,264,595	2,737,463	-	14,002,058
Total capital assets being depreciated	17,635,695	3,587,017	1,427	21,221,285
Less: Accumulated Depreciation for:				
Buildings and Improvements	385,100	49,782	-	434,882
Equipment	1,813,780	211,933	1,427	2,024,286
Land Improvements	116,750	63,267	-	180,017
Infrastructure	6,630,233	395,573	-	7,025,806
Total Accumulated Depreciation	8,945,863	720,555	1,427	7,664,991
Total capital assets being depreciated, net	8,689,832	2,866,462	-	11,556,294
Governmental activities capital assets, net	\$ 10,516,333	\$ 4,687,143	\$ 2,940,575	\$ 12,262,901

Construction in progress at June 30, 2010, for the governmental activities consisted of costs associated with the 8th Street and Lewis Boulevard project, Charles Floyd Walking Trail project, City Hall renovation project and the Camelot paving improvements.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 62,775	\$ 220,635	\$ -	\$ 283,410
Construction in Progress	148,779	2,092,045	51,214	2,189,610
Total capital assets not being depreciated	211,554	2,312,680	51,214	2,473,020
Capital assets being depreciated:				
Buildings and Improvements	1,249,700	-	-	1,249,700
Equipment	859,149	211,309	-	1,070,456
Distribution System	8,918,938	3,756	-	8,922,694
Total capital assets being depreciated	11,027,787	215,063	-	11,242,850
Less: Accumulated Depreciation				
Buildings and Improvements	170,674	32,129	-	202,796
Equipment	376,598	90,815	-	467,413
Distribution System	1,675,435	189,450	-	1,864,885
Total Accumulated Depreciation	2,222,707	312,387	-	2,535,094
Total capital assets being depreciated, net	8,805,080	(97,324)	-	8,707,756
Business-type activities capital assets, net	\$ 9,016,684	\$ 2,215,356	\$ 51,214	\$ 11,180,776

Construction in progress at June 30, 2010, for the business-type activities consisted of costs associated with the Water Treatment Plant project, electric crosswalks project, and storm water drainage projects.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 163,990
Public Works	396,847
Culture and Recreation	140,019
General Government	19,372
Community and Economic Development	327
Total depreciation expense – governmental activities	<u>\$ 720,555</u>
Business-Type Activities:	
Water	\$ 82,856
Sewer	145,187
Electric	79,028
Storm Water	5,224
Solid Waste	92
Total depreciation expense – business-type activities	<u>\$ 312,387</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 393,609	\$ 283,410
Construction in Progress	312,998	2,189,610
Capital Assets (net of accumulated depreciation)	11,556,294	8,707,756
Less: General Obligation Bonds Payable	4,676,127	728,873
Revenue Bonds	-	1,346,942
Invested in Capital Assets, Net of Related Debt	<u>\$ 7,586,774</u>	<u>\$ 9,104,961</u>

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit as of June 30, 2010, is \$11,150,577 of which \$6,680,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2010:

	Governmental Activities	Business Type Activities	
	General Obligation		
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
<i>Primary Government:</i>			
Bonds payable			
July 1, 2009	\$ 6,285,000	\$ 1,055,000	\$ 7,340,000
Plus: Issued	821,127	728,873	1,550,000
Less: Payments	1,570,000	100,000	1,670,000
Less: Refunded	400,000	140,000	540,000
Bonds Payable			
June 30, 2010	<u>\$ 5,136,127</u>	<u>\$ 1,543,873</u>	<u>\$ 6,680,000</u>
Due within one year	<u>\$ 859,750</u>	<u>\$ 850,250</u>	<u>\$ 1,710,000</u>

In May 2010, the City issued \$1,550,000 of General Obligation Bonds, of which \$1,455,000 is a crossover advance refunding of the 2001 Corporate Purpose and 2005 Sewer Improvements General Obligation Bonds. The 2010 bonds have an average interest rate of 2.00% and the 2001 and 2005 bonds being refunded have an average interest rate of 4.35% and 3.48%. The net proceeds from this issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2010, the amount in escrow was \$1,110,705. This amount will be used to refund the remaining \$460,000 and \$815,000 of the 2001 and 2005, respectively when these notes became callable on June 1, 2011. The assets deposited with the escrow agent are shown as a restricted asset in the City's Debt Service and Sewer Funds. As a result of this refunding the City will reduce its debt service payments over the next eight years by \$45,393, and obtain an economic gain of \$43,074.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

In March 2009, the City issued \$2,715,000 of General Obligation Bonds, of which \$1,340,000 is a crossover advance refunding of the 1999 and 2001 swimming pool General Obligation Bonds. The 2009 bonds have an average interest rate of 3.00% and the 1999 and 2001 bonds being refunded have an average interest rate of 4.90% and 5.08%. The net proceeds from this issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2009 the amount in escrow was \$1,312,630. This amount will be used to refund the remaining \$640,000 and \$820,000 on June 1, 2010 of the 1999 and 2001 when these notes became callable. The assets deposited with the escrow agent are shown as a restricted asset in the City's Debt Service Fund. As a result of this refunding the City will reduce its debt service payments over the next eight years by \$57,094, and obtain an economic gain of \$50,801.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

General obligation bonds outstanding as of June 30, 2010 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010	Due Within One Year
General Obligation:							
Corporate purpose	2001	3.50-5.20%	2015	\$ 65,000-\$100,000	\$ 960,000	\$ 460,000	\$ 460,000
Interstate Lift Station	2006	2.85-4.10%	2017	\$ 90,000-\$130,000	1,285,000	815,000	815,000
Corporate Purpose	2008	2.6-4.45%	2027	\$ 30,000-\$185,000	1,170,000	1,140,000	30,000
Corporate Purpose and Sewer Refunding	2009	2.00-4.00%	2020	\$145,000-\$365,000	2,715,000	2,715,000	330,000
Corporate Purpose	2010	1.00-3.00%	2017	\$ 75,000-\$300,000	1,550,000	1,550,000	75,000
Total General Obligation					\$ 7,680,000	\$ 6,680,000	\$ 1,710,000

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 850,250	\$ 61,727	\$ 911,977	\$859,750	\$ 146,460	\$1,006,210	\$1,710,000	\$ 208,187	\$1,918,187
2012	133,950	29,390	163,340	531,050	116,028	647,078	665,000	145,418	810,418
2013	136,300	25,828	162,128	533,700	107,387	641,087	670,000	133,215	803,215
2014	138,650	21,188	159,838	546,350	97,660	644,010	685,000	118,848	803,848
2015	141,000	15,288	156,288	559,000	86,210	645,210	700,000	101,498	801,498
2016	82,250	8,538	90,788	387,750	74,052	461,802	470,000	82,590	552,590
2017	61,473	3,900	65,373	368,527	64,453	432,980	430,000	68,353	498,353
2018	-	-	-	315,000	54,003	369,003	315,000	54,003	369,003
2019	-	-	-	325,000	42,178	367,178	325,000	42,178	367,178
2020	-	-	-	345,000	29,503	374,503	345,000	29,503	374,503
2021	-	-	-	45,000	15,703	60,703	45,000	15,703	60,703
2022	-	-	-	50,000	13,858	63,858	50,000	13,858	63,858
2023	-	-	-	50,000	11,758	61,758	50,000	11,758	61,758
2024	-	-	-	50,000	9,633	59,633	50,000	9,633	59,633
2025	-	-	-	55,000	7,483	62,483	55,000	7,483	62,483
2026	-	-	-	55,000	5,090	60,090	55,000	5,090	60,090
2027	-	-	-	60,000	2,670	62,670	60,000	2,670	62,670
Total	\$1,543,873	\$ 165,859	\$1,709,732	\$5,136,127	\$ 884,129	\$6,020,256	\$6,680,000	\$1,049,988	\$7,729,988

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2010 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2010
SRF Water Revenue Bond 2010A	01/2010	3%	06/2031	Unknown	\$1,104,902	\$ 1,104,902
SRF Water Revenue Bond 2010B	01/2010	3%	06/2031	Unknown	242,040	242,040
						<u>\$ 1,346,942</u>

The revenue bonds have not been fully drawn down as of June 30, 2010. Therefore, the annual debt service requirements could not be determined. The bonds are expected to be fully drawn down by July 2011.

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	\$ 6,285,000	\$ 821,127	\$ 1,970,000	\$ 5,136,127	\$ 859,750
Compensated Absences	26,593	39,238	26,593	39,238	39,238
Other Post Employment Benefits	-	3,453	-	3,453	-
Governmental Activity Long-Term Liabilities	<u>6,311,593</u>	<u>863,818</u>	<u>1,996,593</u>	<u>5,178,818</u>	<u>898,988</u>
Business-Type Activities					
Bonds Payable:					
General Obligation	1,055,000	728,873	240,000	1,543,873	850,250
Revenue Bonds	-	1,346,942	-	1,346,942	-
Compensated Absences	24,687	21,101	24,687	21,101	21,101
Business-Type Activity Long-Term Liabilities	<u>\$ 1,079,687</u>	<u>\$2,096,916</u>	<u>\$ 264,687</u>	<u>\$ 2,911,916</u>	<u>\$ 871,351</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Transfers Out
Capital Projects	\$ 8,843	\$ 49,277	\$ -	\$ 4,896	\$ 63,016
Nonmajor Governmental	784,229	105,778	29,098	-	919,105
Water	39,900	145,019	-	-	184,919
Sewer	37,800	134,485	-	-	172,285
Electric	260,000	-	-	-	260,000
Nonmajor Enterprise	4,082	-	-	-	4,082
Total Transfers In	<u>\$1,134,854</u>	<u>\$ 434,559</u>	<u>\$ 29,098</u>	<u>\$ 4,896</u>	<u>\$1,603,407</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 – RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$95,992, \$75,196, and \$70,800, respectively, equal to the required contributions for each year.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description. The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits. All coverage ceases when the retiree attains 65 or becomes eligible for Medicare except for COBRA continuation if elected.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 3,453
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>3,453</u>
Contributions made	-
Increase in net OPEB obligation	<u>3,453</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 3,453</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,453	0%	\$ 3,453

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$16,092, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,092. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,180,879 and the ratio of the UAAL to covered payroll was .02%. As of June 30, 2010, there were no trust fund assets.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the alternative measurement method was used. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. At that time continued participation was assumed to be 10%.

Projected claim costs of the medical plan are \$11,031 annually for retirees, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 - DEFICIT FUND EQUITY

The City has one fund with a deficit equity balance at June 30, 2010. The City intends to finance this deficit from various resources including; general funds, and capital project debt financing.

The individual fund deficit was as follows:

Capital Projects	\$ 344,144
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CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - RISK MANAGEMENT

The City of Sergeant Bluff is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 11 - COMMITMENTS

During the year ended June 30, 2010, and in previous years the City had entered into several construction contracts totaling approximately \$8,900,846 of which approximately \$4,836,725 has been expended to date. The remaining balance will be paid as work progresses.

Note 12 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$9,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance as of June 30, 2010 is \$8,480,000.

Note 13 COMMUNITY ECONOMIC BETTERMENT (CEBA) LOAN

On December 15, 1998, the City received \$175,000 from the Iowa Department of Economic Development under a CEBA loan agreement. The City subsequently loaned \$175,000 to a private business. No interest or principal payments are required during the first and second years. At the project completion date, \$1,250 will be forgiven for each new job created and the balance remaining will be amortized over the remaining three years in equal annual payments with 6 percent per annum interest. The City's liability for repayment of this loan is limited to those amounts the City collects through its good faith enforcement of security interest with the business; therefore, the liability for this loan is not included in the Government-Wide Financial Statements.

CITY OF SERGEANT BLUFF, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES

BUDGET AND ACTUAL (CASH BASIS)- GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2010

	Actual Amounts			Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Governmental Funds	Proprietary Funds	Total Actual	Original	Final	
Revenue:						
Property Taxes	\$ 1,629,171		\$ 1,629,171	\$ 1,615,220	\$ 1,615,220	\$ 13,951
Tax increment financing	87,956		87,956	111,027	111,027	(23,071)
Other city tax	390,381		390,381	348,588	348,588	41,793
Special Assessments	3,970		3,970	800,000	800,000	(796,030)
Licenses and permits	19,186		19,186	43,150	43,150	(23,964)
Intergovernmental revenue	2,030,539		2,030,539	2,039,080	2,039,080	(8,541)
Charges for services	218,379	\$ 4,110,602	4,328,981	6,562,952	6,562,952	(2,233,971)
Fines and Forfeits	19,147		19,147	-	-	19,147
Contributions	31,163		31,163	-	-	31,163
Refunds/Reimbursements	67,733		67,733	-	-	67,733
Use of money and property	27,410	2,234	29,644	30,065	30,065	(421)
Interest	85,790		85,790	-	-	85,790
Miscellaneous	181,167	6,808	187,975	90,650	90,650	97,325
Total Revenue	<u>4,791,992</u>	<u>4,119,644</u>	<u>8,911,636</u>	<u>11,640,732</u>	<u>11,640,732</u>	<u>(2,729,096)</u>
Expenditures:						
Public safety	1,390,826		1,390,826	1,092,344	1,302,344	(88,482)
Public works	436,996		436,996	419,735	474,735	37,739
Health and Social Services	2,400		2,400	-	3,000	600
Culture and recreation	487,909		487,909	427,410	497,410	9,501
Community and economic development	55,457		55,457	42,840	64,840	9,383
General government	466,235		466,235	593,010	593,010	126,775
Capital projects	2,410,234	1,638,536	4,048,770	8,105,000	8,105,000	4,056,230
Debt service	1,836,444		1,836,444	888,809	888,809	(947,635)
Business type activities		3,748,697	3,748,697	5,695,321	5,695,321	1,946,624
Total Expenditures	<u>7,086,501</u>	<u>5,387,233</u>	<u>12,473,734</u>	<u>17,264,469</u>	<u>17,624,469</u>	<u>5,150,735</u>
Excess (deficiency) of revenues over expenditures	<u>(2,294,509)</u>	<u>(1,267,589)</u>	<u>(3,562,098)</u>	<u>(5,623,737)</u>	<u>(5,983,737)</u>	<u>2,421,639</u>
Other financing sources (uses):						
Proceeds from sale of fixed asset	2,165		2,165	-	-	2,165
Proceeds from issuance of debt	404,201	2,057,932	2,462,133	5,650,000	5,650,000	(3,187,867)
Interfund Transfers In	1,651,539		1,651,539	1,684,279	1,684,279	(32,740)
Interfund Transfers Out	(1,030,253)	(621,286)	(1,651,539)	(1,684,279)	(1,684,279)	32,740
Total other financing sources (uses)	<u>1,027,652</u>	<u>1,436,646</u>	<u>2,464,298</u>	<u>5,650,000</u>	<u>5,650,000</u>	<u>(3,185,702)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,266,857)</u>	<u>169,057</u>	<u>(1,097,800)</u>	<u>\$ 26,263</u>	<u>\$ (333,737)</u>	<u>\$ (764,063)</u>
Fund balances-beginning of year	<u>4,106,455</u>	<u>4,206,761</u>	<u>8,313,216</u>			
Fund balances- end of year	<u>\$ 2,839,598</u>	<u>\$ 4,375,818</u>	<u>\$ 7,215,416</u>			

CITY OF SERGEANT BLUFF, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2010

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 4,791,992	\$ (479,041)	\$ 4,312,951	\$ 4,119,644	\$ 21,027	4,140,671
Expenditures/expenses	7,086,501	(1,002,235)	6,084,266	5,387,233	(2,205,479)	3,181,754
Net	(2,294,509)	523,194	(1,771,315)	(1,267,589)	2,226,506	958,917
Other financing sources, net	1,027,652	(2,165)	1,025,487	1,436,646	(2,057,932)	(621,286)
Beginning fund balances/net assets	4,106,455	41,684	4,148,139	4,206,761	8,155,128	12,361,889
Ending fund balances/net assets	<u>\$ 2,839,598</u>	<u>\$ 562,713</u>	<u>\$ 3,402,311</u>	<u>\$ 4,375,818</u>	<u>\$ 8,323,702</u>	<u>\$ 12,699,520</u>

CITY OF SERGEANT BLUFF
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$360,000. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2010, disbursements exceeded the amounts budgeted for the public safety and debt service classes of disbursements.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	-	\$ 16,092	\$ 16,092	0.00%	\$1,180,879	1.40%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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CITY OF SERGEANT BLUFF, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2010

	Special Revenue Funds			
	Road Use Tax	Employee Benefits	Tax Increment Financing	Pioneer Flats Tax Increment Financing
Assets				
Cash and Pooled Investments	\$ 412,179	\$ 60,931	\$ -	\$ -
Receivables (Net, where applicable, of for uncollectibles)				
Taxes	-	2,353	3,230	-
Subsequent Year Taxes	-	239,259	115,562	-
Due from Other Governmental Agencies	18,487	-	-	-
Total Assets	<u>430,666</u>	<u>302,543</u>	<u>118,792</u>	<u>-</u>
Liabilities and Fund Balances				
Liabilities:				
Due to Other Funds	-	-	-	-
Subsequent Year Taxes	-	239,259	115,562	-
Total Liabilities	<u>-</u>	<u>239,259</u>	<u>115,562</u>	<u>-</u>
Fund Balances				
Unreserved	430,666	63,284	3,230	-
Total Fund Balances	<u>430,666</u>	<u>63,284</u>	<u>3,230</u>	<u>-</u>
Total Liabilities and Equity	<u>\$ 430,666</u>	<u>\$ 302,543</u>	<u>\$ 118,792</u>	<u>\$ -</u>

Special Revenue Funds				Total Governmental Nonmajor Funds
Volunteer Fire Dept	I-JOBS	Local Option Sales Tax		
\$ 130,890	\$ -	\$ 666,495	\$	1,270,495
-	-	-		5,583
-	-	-		354,821
-	35,747	60,577		114,811
130,890	35,747	727,072		1,745,710
-	14,593	-		14,593
-	-	-		354,821
-	14,593	-		369,414
130,890	21,154	727,072		1,376,296
130,890	21,154	727,072		1,376,296
\$ 130,890	\$ 35,747	\$ 727,072	\$	1,745,710

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds			
	Road Use Tax	Employee Benefits	Tax Increment Financing	Pioneer Flats Tax Increment Financing
Revenue:				
Taxes	\$ -	\$ 295,686	\$ -	\$ -
Tax increment financing	-	-	87,956	-
Other city tax	-	-	-	-
Intergovernmental Revenue	290,783	-	-	-
Miscellaneous	450	-	-	-
Total Revenue	291,233	295,686	87,956	-
Expenditures:				
Public Safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over expenditures	291,233	295,686	87,956	-
Other financing sources (uses):				
Transfers In	-	-	4,896	-
Transfers Out	(297,229)	(295,000)	(89,622)	(16,156)
Total other financing sources (uses)	(297,229)	(295,000)	(84,726)	(16,156)
Net Change in Fund Balance	(5,996)	686	3,230	(16,156)
Fund balances - beginning of year	436,662	62,598	-	16,156
Fund balances - end of year	\$ 430,666	\$ 63,284	\$ 3,230	\$ -

Special Revenue Funds				Total
Volunteer Fire Dept	I-JOBS	Local Option Sales Tax	Governmental Nonmajor Funds	
\$ -	\$ -	\$ -	\$	295,686
-	-	-		87,956
-	-	371,770		371,770
38,010	50,252	-		379,045
4,882	-	-		5,332
122,761	50,252	371,770		1,219,658
268,137	-	-		268,137
268,137	-	-		268,137
(145,376)	50,252	371,770		951,521
-	-	-		4,896
-	(29,098)	(192,000)		(919,105)
-	(29,098)	(192,000)		(914,209)
(145,376)	21,154	179,770		37,312
276,266	-	547,302		1,338,984
\$ 130,890	\$ 21,154	\$ 727,072	\$	1,376,296

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF NET ASSETS
Enterprise Nonmajor Funds
JUNE 30, 2010

	Business Type Activities		
	Solid Waste Utility	Storm Water Utility	Total
ASSETS			
Cash and Cash Equivalents	\$ 36,323	\$ 209,939	\$ 246,262
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	31,279	12,076	43,355
Estimated Unbilled Usage	5,914	1,880	7,794
Total Current Assets	73,516	223,895	297,411
Noncurrent Assets:			
Construction in Progress	-	18,474	18,474
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,485	114,896	116,381
Total Noncurrent Assets	1,485	133,370	134,855
Total Assets	75,001	357,265	432,266
LIABILITIES			
Accounts Payable	17,130	1,657	18,787
Accrued Wages and Compensated Absences	-	310	310
Accrued Compensated Absences	-	803	803
Due to Other Funds	-	6,500	6,500
Total Current Liabilities	17,130	9,270	26,400
Total Liabilities	17,130	9,270	26,400
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,485	133,370	134,855
Unrestricted	56,386	214,625	271,011
Total Net Assets	\$ 57,871	\$ 347,995	\$ 405,866

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Solid Waste Utility	Storm Water Utility	Total
Operating Revenues:			
Charges for Services	\$ 264,854	\$ 93,955	\$ 358,809
Total Operating Revenue	<u>264,854</u>	<u>93,955</u>	<u>358,809</u>
Operating Expenses:			
Cost of Service	276,192	58,137	334,329
Depreciation	92	5,224	5,316
Total Operating Expenses	<u>276,284</u>	<u>63,361</u>	<u>339,645</u>
Operating Income (Loss)	(11,430)	30,594	19,164
Non-Operating Income:			
Other Non-operating Revenues	224	-	224
Total Non-Operating Income	<u>224</u>	<u>-</u>	<u>224</u>
Income (Loss) before Transfers	(11,206)	30,594	19,388
Transfers (Out)	<u>-</u>	<u>(4,082)</u>	<u>(4,082)</u>
Change in Net Assets	(11,206)	26,512	15,306
Net Assets - Beginning	<u>69,077</u>	<u>321,483</u>	<u>390,560</u>
Net Assets - Ending	<u>\$ 57,871</u>	<u>\$ 347,995</u>	<u>\$ 405,866</u>

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Solid Waste Utility	Storm Water Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 261,724	\$ 93,356	\$ 355,080
Cash Paid to Suppliers for Goods and Services	(277,368)	(35,878)	(313,246)
Cash Paid to Employees for Services	-	(19,512)	(19,512)
Other Nonoperating Income	224	-	224
Net Cash Provided (Used) by Operating Activities	(15,420)	37,966	22,546
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(1,578)	(14,129)	(15,707)
Net Cash (Used) for Capital and Related Financing Activities	(1,578)	(14,129)	(15,707)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	-	(4,082)	(4,082)
Due From (To) Other Funds	-	6,500	6,500
Net Cash Provided for Non-Capital Financing Activities	-	2,418	2,418
Net Increase (Decrease) in Cash and Cash Equivalents	(16,998)	26,255	9,257
Cash and Cash Equivalents at Beginning of Year	53,321	183,684	237,005
Cash and Cash Equivalents at End of Year	\$ 36,323	\$ 209,939	\$ 246,262
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Net Operating Income (Loss)	\$ (11,430)	\$ 30,594	\$ 19,164
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	92	5,224	5,316
Miscellaneous Non-Operating Income	224	-	224
(Increase) Decrease in Assets:			
Accounts Receivable	(3,106)	(583)	(3,689)
Estimated Unbilled Usage	(24)	(17)	(41)
Increase (Decrease) in Liabilities:			
Accounts Payable	(1,176)	1,635	459
Accrued Wages and Compensated Absences	-	1,113	1,113
Total Adjustments	(3,990)	7,372	3,382
Net Cash Provided (Used) by Operating Activities	\$ (15,420)	\$ 37,966	\$ 22,546

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,065	\$ 12,433	\$ 9,629	\$ 6,869
Total Assets	4,065	12,433	9,629	6,869
<u>Liabilities</u>				
Accounts Payable	4,065	12,433	9,629	6,869
Total Liabilities	\$ 4,065	\$ 12,433	\$ 9,629	\$ 6,869

CITY OF SERGEANT BLUFF
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Six Years Ended June 30

	Modified Accrual Basis					
	2010	2009	2008	2007	2006	2005
Revenues:						
Property tax	\$ 1,624,757	1561438	\$ 1,429,954	\$ 1,161,191	\$ 1,063,633	\$ 984,838
Tax increment financing revenue	87,956	22371	-	139,332	64,969	-
Other city tax	390,381	368402	380,639	380,152	340,121	327,599
Licenses and permits	19,186	18185	30,285	36,208	48,673	39,175
Intergovernmental	1,706,953	740150	363,853	295,843	383,978	316,846
Charges for service	205,860	195840	220,694	197,471	117,432	141,887
Proceeds from Sale of Assets	2,165	29065	-	-	-	-
Use of money and property	113,200	80622	76,477	54,395	46,288	51,173
Special assessments	3,970	-	65,801	25,334	6,567	1,094
Miscellaneous	158,523	144973	134,355	123,657	90,720	374,214
Total	<u>\$ 4,312,951</u>	<u>\$ 3,161,046</u>	<u>\$ 2,702,058</u>	<u>\$ 2,413,583</u>	<u>\$ 2,162,381</u>	<u>\$ 2,236,826</u>
Expenditures:						
Operating:						
Public safety	\$ 1,386,082	\$ 1,101,673	\$ 918,523	\$ 920,527	\$ 934,948	\$ 1,131,396
Public works	428,516	452,415	314,352	297,768	242,232	225,671
Health and social services	2,400	-	-	-	-	-
Culture and recreation	463,002	356,831	325,725	268,710	136,670	260,106
Community and economic development	55,457	35,330	33,609	124,156	62,889	93,899
General government	481,894	311,718	453,175	339,113	281,676	266,095
Debt service	1,436,444	639,818	645,238	559,782	902,415	559,441
Capital projects	1,830,471	1,362,548	598,026	503,037	549,773	1,037,788
Total	<u>\$ 6,084,266</u>	<u>\$ 4,260,333</u>	<u>\$ 3,288,648</u>	<u>\$ 3,013,093</u>	<u>\$ 3,110,603</u>	<u>\$ 3,574,396</u>

CITY OF SERGEANT BLUFF, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2010

	CFDA Number	Project/Contract Number	Program Disburse- ments
Indirect:			
DEPARTMENT OF TRANSPORTATION:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-6890(605)	\$ 794,209
Highway Planning and Construction - ARRA	20.205	ESL-6890(606)	537,483
			<u>1,331,692</u>
State Fiscal Stabilization Fund -			
Government Services, Recovery Act - ARRA	84.397		3,966
			<u>1,331,692</u>
Governor's Traffic Safety Bureau, Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seat Belts	20.609		<u>4,000</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1877-DR-IA	<u>18,141</u>
Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Loans	66.468	FS-97-09-DWSRF-025 FS-94-DWSRF-025	<u>1,237,386</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,595,185</u></u>

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sergeant Bluff, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements and is also considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA #20.205 – Highway Planning and Construction
 - CFDA #66.468 – Capitalization Grants for Drinking Water State Revolving Loan
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Sergeant Bluff did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-10 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset.

Conclusion – Response accepted.

II-B-10 Segregation of Duties

Observation - During the audit, it was noted that the individual who creates the utility bills also enters the rates and makes all the adjustments to the utility billing software. It was also noted that the individual that prepares the payroll checks also has the ability to make rate changes in the payroll master file and distributes the signed payroll checks. These incompatible duties gives those individuals the ability to perpetrate and conceal errors or fraud.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements – (Continued)

Recommendation - The City should implement a system of segregation of responsibility and review and monitoring functions for the payroll and the utility billing functions.

Response - The city is aware of the nature of the weakness and the necessity to establish more effective controls. Procedures will be reviewed and changes will be implemented as deemed necessary and practical.

Conclusion - Response accepted.

Part III – Findings Related to Federal Awards

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

III-A-10 Schedule of Expenditures of Federal Awards Reporting

Observation - During the audit, it was noted that the Schedule of Expenditures of Federal Awards was not accurately completed. All federal expenditures were not included on the Schedule of Expenditures of Federal Awards.

Recommendation – The City should designate an individual with the skill and knowledge to accurately prepare the Schedule of Expenditures of Federal Awards and implement a review process to ensure the accuracy of the Schedule.

Response – The City will designate a responsible individual.

Conclusion – Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 - Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted for the public safety and debt service classes of expenditures.

IV-B-10 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-10 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 - Business Transactions – No business transactions between the City and City employees were noted.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting – (Continued)

IV-E-10 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-G-10 Financial Report – The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should comply with Chapter 384.22 of the Code of Iowa and file the Annual Financial Report by December 1.

Response – We will comply with the requirements.

Conclusion – Response accepted.

IV-H-10 - Council Minutes – We noted no transactions requiring approval which had not been approved by Council.

IV-H-II Revenue Bonds – No violations of revenue bond resolutions were noted.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF SERGEANT BLUFF, IOWA as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Sergeant Bluff, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses identified as items II-A-10 and II-B-10.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Sergeant Bluff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sergeant Bluff, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Sergeant Bluff, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

January 17, 2011
Le Mars, Iowa



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Le Mars, IA 51031
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

Compliance

We have audited the compliance of the City of Sergeant Bluff, Iowa (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City of Sergeant Bluff's internal control over compliance.

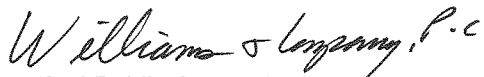
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness identified as III-A-10.

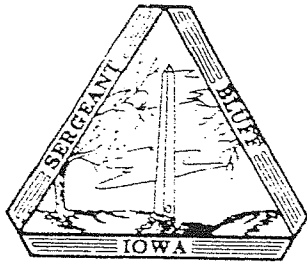
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed above, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Sergeant Bluff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and others within the City of Sergeant Bluff, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Le Mars, Iowa
January 17, 2011



CITY OF SERGEANT BLUFF

P.O. BOX 703, 401 4TH STREET
SERGEANT BLUFF, IOWA 51054

TELEPHONE 712-943-4244

FAX: 712-943-2106

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2010

Department of Transportation and Environmental Protection Agency

The City of Sergeant Bluff, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2010.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2010.

The finding from the June 30, 2010 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

SIGNIFICANT DEFICIENCY:

III-A-10 Schedule of Expenditures of Federal Awards Reporting

Observation - During the audit, it was noted that the Schedule of Expenditures of Federal Awards was not accurately completed. All federal expenditures were not included on the Schedule of Expenditures of Federal Awards.

Recommendation - The City should designate an individual with the skill and knowledge to accurately prepare the Schedule of Expenditures of Federal Awards and implement a review process to ensure the accuracy of the Schedule.

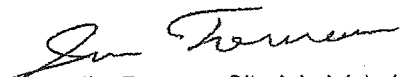
Response - The City will designate a responsible individual.

Conclusion - Response accepted.

If the Department of Transportation or the Environmental Protection Agency has questions regarding this plan, please call Jim Ferneau at 712-943-4244.

Sincerely yours,

CITY OF SERGEANT BLUFF, IOWA


Jim Ferneau, City Administrator